

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CEA-01 CIAE-00 COME-00 EB-07  
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TO SECSTATE WASHDC IMMEDIATE 4352

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PASS MEMBERS ECONOMIC POLICY GROUP

E.O. 11652: N/A

TAGS: OECD, EGEN

SUBJECT: OECD MINISTERIAL MEETING WRAP-UP

1. NEXT WEEK'S ANNUAL OECD MINISTERIAL MEETING PROVIDES AN OPPORTUNITY FOR SECRETARIES VANCE AND BLUMENTHAL TO CARRY FORWARD SOME OF THE DECISIONS AT THE SUMMIT, AND SET THE TONE FOR THE NORTH/SOUTH DIALOGUE IN THE POST-CIEC PERIOD. THE OECD PERM REPS FINISHED THEIR WORK ON THE PREPARATIONS TODAY. REPORTS ON HEADS OF DEL DISCUSSIONS AND ALL DOCUMENTS ARE ON THEIR WAY TO WASHINGTON. IN THIS MESSAGE WE SUMMARIZE THE MAIN ISSUES THE TWO SECRETARIES ARE LIKELY TO FACE WHEN THEY ARRIVE.

2. THE SCENARIO FOR THURSDAY WILL BE DISCUSSED THIS WEEKEND BY VAN LENNEP WITH AUSTRALIAN MINISTERIAL CHAIRMAN PEACOCK. THE HOPE IS TO ASK MINISTERS TO LIMIT  
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THEIR STATEMENTS TO FIVE MINUTES EXCEPT FOR THE SECRETARY, POSSIBLY THE JAPANESE REP, AND HOPEFULLY A COMMUNITY SPOKESMAN.- WE UNDERSTAND THE BRITISH WOULD LIKE OWEN TO MAKE THE MAJOR STATEMENT FOR THE EC AND A DRAFT IS CURRENTLY CIRCULATING AMONG THE NINE. THE ISSUE WILL BE TAKEN UP AT LUXEMBOURG EC FOREIGN MINISTERS MEETING ON MONDAY. THAT MEETING AS USEC HAS REPORTED,

MAY ALSO BE SEIZED WITH THE BROADER ISSUE OF WHETHER THE NINE WILL CONTINUE TO SPEAK WITH ONE VOICE IN THE POST-CIEC PERIOD.

3. THE SEC GEN'S HOPE SHARED BY THE AUSTRALIANS IS TO MOVE TO A GENUINE DISCUSSION OF ISSUES AS SOON AS POSSIBLE AFTER THE OPENING STATEMENTS. WITH PEACOCK IN THE CHAIR THERE IS A GOOD CHANCE THIS MIGHT BE ACCOMPLISHED.

4. TO HELP FOCUS THE DISCUSSION THE SECRETARY GENERAL'S PAPER ON AGENDA ITEM 2 "INTERNATIONAL ECONOMIC RELATIONS WITH SPECIAL REFERENCE TO THE DEVELOPING COUNTRIES", C(77) 110 (FINAL), SUMMARIZES THE ISSUES FOR MINISTERIAL CONSIDERATION. IT WILL PROBABLY BE INTRODUCED BY VAN LENNEP, AND PEACOCK MAY ASK SPEAKERS TO ADDRESS THE ISSUES POSED THEREIN COVERING CIEC AND THE ONGOING DIALOGUE, DEVELOPMENT POLICIES, TRADE, ENERGY AND COMMODITIES, AND OECD RELATIONS WITH DEVELOPING COUNTRIES.

5. VAN LENNEP HOPES TO GET ENOUGH SUPPORT FROM MINISTERIAL STATEMENTS ON THESE ISSUES TO WARRANT A SUMMATION BY PEACOCK WHICH WILL CHARGE THE ORGANIZATION WITH

-- WORKING OUT A LONG RANGE STRATEGY ON DEVELOPMENT COOPERATION POLICIES; AND

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-- COORDINATING MEMBER COUNTRY POLICIES IN THE CONTINUING NORTH/SOUTH DIALOGUE

THE CLEAR WISH OF THE SEC GEN AND PERM REPS IS NOT TO SEIZE THE MINISTERS WITH ANY INTERNAL PROCEDURAL OR ORGANIZATIONAL ISSUES BUT RATHER TO STEER THEIR DISCUSSION TO SUBSTANTIVE POLICY MATTERS. HOWEVER I HAVE STRESSED THAT USG IS INTERESTED IN MAINTAINING THE EFFECTIVE COORDINATION ACHIEVED DURING CIEC AND HAVE PRIVATELY AND INFORMALLY MADE CLEAR THAT WE SEEK A MECHANISM MORE EFFICIENT (I.E. MORE RESTRICTED) THAN THE UNWIELDY XCSS. EC POSITIONS NOW TO PURSUE COORDINATION ARE LIKELY TO DEVELOP FURTHER IN THE COURSE OF NEXT WEEK'S LUXEMBOURG MEETING, AND THIS ISSUE SHOULD BE A MAJOR FOCUS FOR BILATERAL AND CORRIDOR CONVERSATIONS.)

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6. FOLLOWING MINISTERIAL STATEMENTS PEACOCK WOULD TURN TO THE DRAFT DECLARATION, WHICH SHOULD ENABLE MINISTERS TO HAVE A MORE POINTED EXCHANGE AND REACH CONCLUSIONS IN TERMS OF WHAT THEY COULD SAY PUBLICLY ON THE KEY QUESTIONS. THESE ARE:

-- HOW DOES THIS GROUP OF COUNTRIES EVALUATE CIEC, AND PARTICULARLY TO WHAT EXTENT CAN THE NON G-8 MEMBERS GO ALONG? THE LATTER ARE LIKELY TO FUSS OVER THE LANGUAGE IN THE CURRENT TEXT "ENDORISING" THE AGREEMENTS AND ASSOCIATING THEM WITH SPECIAL ACTION, MAINLY BECAUSE OF THE LACK OF TIME TO TAKE SUCH DECISIONS SINCE CIEC ENDED.

-- WHAT SHOULD BE SAID ABOUT CONTINUATION OF THE DIALOGUE? IN PARTICULAR, SHOULD WE REITERATE OUR WISH TO ENGAGE IN A DIALOGUE ON ENERGY? BRITISH AND OTHERS URGE LOW PUBLIC PROFILE ON LATTER POINT.

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-- SHOULD OECD PUBLICLY ANNOUNCE A NEW EMPHASIS IN DEVELOPMENT COOPERATION POLICIES ON MEETING BASIC HUMAN NEEDS, WHILE REAFFIRMING INTENTIONS TO INCREASE SUBSTANTIALLY RESOURCE TRANSFERS? SWEDES, FRENCH AND OTHERS MAY WANT TO DILUTE THE THRUST ON BASIC HUMAN NEEDS OUT OF CONCERN FOR LDC SENSITIVITIES.

-- FINALLY, SHOULD THIS DOCUMENT BE ISSUED AS A SEPARATE DECLARATION OR FOLDED INTO THE COMMUNIQUE? THIS ISSUE WILL BE UP TO THE MINISTERS. OUR UNDERSTANDING IS THAT PEACOCK AS WELL AS VAN LENNEP AND THE JAPANESE WOULD LIKE TO MAKE PUBLIC A DECLARATION AT THE END OF THE FIRST DAY. IF THE COMMUNIQUE VEHICLE IS CHOSEN THESE PARAGRAPHS WOULD BE INCORPORATED INTO THE DOCUMENT ISSUED FOLLOWING CONCLUSION OF THE MEETING ON THE SECOND DAY.

7. AFTER NORTH/SOUTH DISCUSSION MINISTERS MAY HAVE TIME TO TAKE UP OTHER SUBJECTS UNDER RUBRIC OF "MANAGEMENT OF WORLD ECONOMIC INDEPENDENCE" IN SECGEN'S ISSUES PAPER. NEITHER ENERGY NOR COMMODITIES SHOULD GIVE RISE TO ANY PARTICULAR PROBLEMS, AND TRADE PLEDGE RENEWAL SHOULD BE STRAIGHT FORWARD EXCEPT FOR FACT THAT FINLAND, NEW ZEALAND, SPAIN, TURKEY AND PORTUGAL WILL HAVE TO ANNOUNCE WHETHER OR NOT THEY INTEND TO ADHERE THIS YEAR. BASED ON JUNE 17 HEADS OF DEL DISCUSSION OF COMMUNIQUE (SEPTTEL) WE EXPECT THAT QUESTION OF POLICY TOWARDS SECTORAL PROBLEMS COULD BE A SIGNIFICANT DISCUSSION ISSUE. SOME COUNTRIES TEND TO VIEW SEVERE PROBLEMS FACED BY PARTICULAR INDUSTRIES IN CURRENT ECONOMIC SITUATION AS MORE STRUCTURAL THAN CYCLICAL IN NATURE AND JUSTIFYING DEPARTURE FROM OPEN TRADE DISCIPLINE. FRANCE IN PARTICULAR MAY WELL TRY TO QUALIFY COMMITMENTS TO AVOID NEW TRADE BARRIERS LIMITED OFFICIAL USE

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BY "THE NEED TO TAKE STRUCTURAL CHANGES INTO ACCOUNT," REFERRING TO THE LANGUAGE THUS INSERTED INTO LONDON SUMMIT COMMUNIQUE. OTHERS, INCLUDING SECGEN, WILL HOPEFULLY POINT OUT DANGERS OF MISTAKING CYCLICAL/ TEMPORARY PROBLEMS WITH STRUCTURAL DIFFICULTIES AND ADVOCATE THOROUGH ANALYSIS OF AND CONSULTATION ON PARTICULARLY TROUBLESOME AREAS BEFORE DIFFICULTIES ASSUME CRITICAL PROPORTIONS.

8. ON FRIDAY UNDER LYNCH'S CHAIRMANSHIP, VAN LENNEP WILL BEGIN BY INTRODUCING THE ISSUES AS SET FORTH IN HIS PAPER ON ECONOMIC PROSPECTS AND POLICIES C(77)111

(FINAL). LYNCH WILL PROBABLY TRY TO LIMIT THE LENGTH OF STATEMENTS EXCEPT FOR TWO OR THREE OF THE MORE IMPRTANT OPENING STATEMENTS INCLUDING ONE BY SECRETARY BLUMENTHAL. IT IS UNCERTAIN WHETHER IMF MAING DIRECTOR WITTEVEEN AND PROFESSOR MCCRACKEN WOULD SPEAK IN THE MORNING OR AFTERNOON. SEC GEN HOPES THAT UNDER LYNCH'S CHAIRMANSHIP A GENUINE GIVE-AND-TAKE WILLDEVELOP ON THE MAIN ISSUES.

THE KEY SUBSTANTIVE ISSUES REFLECTED IN THE DOCUMENTATION AND HIGHLIGHTED ON THE OCCASION OF EPC JUNE

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14-15 MEETING:

-- SHOULD MINISTERS ENUNCIATE A NUMERICAL TARGET FOR FASTER GROWTH IN THE OECD AREA IN 1978 THAN 1977? THE DRAFT COMMUNIQUE THAT WILL BE SUBMITTED TO MINISTERS SPECIFIES A TARGET OF 5 PERCENT. WHILE SOME COUNTRIES, PARTICULARLY THE SMALLER ONES, WILL UNDOUBTEDLY AGREE, THE COURSE FAVORED BY THE BIG SEVEN, AS AGREED AT THE UNOFFICIAL EPC BUREAU MEETING ON JUNE 14, WAS THAT THE FASTER GROWTH NECESSARY IN 1978,IF UNEMPLOYMENT

IS TO BE REDUCED, WOULD BE EXPRESSED WITHOUT  
CITING A SPECIFIC NUMBER. WE FIND THAT NEITHER  
THE ISSUES PAPER NOR THE DRAFT COMMUNIQUE STRESS  
SUFFICIENTLY NEED TO DIFFERENTIATE AS TO THE  
NECESSITY OF VARIOUS COUNTRIES TO ACHIEVE FASTER  
GROWTH IN 1978. AT EPC PLENARY AND BUREAU, CEA  
CHAIRMAN SCHULTZE STRESSED THAT CALL FOR FASTER  
GROWTH DID NOT APPLY TO ALL COUNTRIES, AND  
CERTAINLY NOT TO US. AND SECRETARIAT AND MOST  
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COUNTRIES WOULD AGREE.

-- HOW SHOULD COMPATIBILITY OF INDIVIDUAL  
COUNTRIES' OBJECTIVES WITH THE GOALS FOR THE  
OVERALL OECD AREA BE ASSESSED AND HOW SHOULD  
THEIR PERFORMANCE BE MONITORED? THE SUGGESTED  
PROCEDURE FOR VETTING COUNTRIES' "PROVISIONAL  
OBJECTIVES" WORKED OUT AT EPC WILL BE REFLECTED  
IN AN ANNEX TO THE ISSUES PAPER TO BE ISSUED  
SHORTLY. PRESUMABLY THIS WILL FOLLOW THE LINES  
OF THE CONFIDENTIAL MINUTE OF THE EPC  
BUREAU DISCUSSION (SEPTTEL). THE ONE SPECIFIC  
PROCEDURAL ISSUE LIKELY TO BE DISCUSSED  
FURTHER IS WHETHER THERE SHOULD BE A SECOND  
MINISTERIAL MEETING THIS WINTER IN CONNECTION  
WITH THIS EXERCISE.

-- IS THE WITTEVEEN FACILITY AS NOW TAKING  
SHAPE GOING TO BE SUFFICIENT? HERE IT SEEMS  
CLEAR THAT SEC GEN WOULD LIKE TO SEE MINISTERS  
AT LEAST RAISE QUESTIONS CONCERNING ADEQUACY  
OF WITTEVEEN FACILITY SO AS TO SUGGEST NEED  
FOR BRINGING FINANCIAL SUPPORT FUND INTO FORCE.

-- SHOULD MINISTERS ENDORSE THE MAIN  
SUGGESTIONS OF MCCracken REPORT? DRAFT  
COMMUNIQUE STATES THAT MINISTERS "AGREED THAT A  
POLICY... SHOULD BE BUILT AROUND SOME OR ALL OF  
THE FOLLOWING ELEMENTS": NORMS FOR MONETARY  
AGGREGATES, MEDIUM-TERM BUDGET NORMS, AND  
"CLARIFYING" PRICES AND INCOMES POLICIES. THIS  
DRAFT GOES MUCH FURTHER THAN VIEWS EXPRESSED  
EXPLICITLY AT EPC BUREAU AND IMPLICITLY AT  
PLENARY THAT THE REPORT'S POLICY RECOMMENDATIONS  
SHOULD BE COMMENDED TO MEMBER GOVERNMENTS FOR  
THEIR CONSIDERATION BUT THAT ADOPTION OF ANY OR  
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ALL SPECIFIC RECOMMENDATIONS WOULD BE LEFT TO  
THEM TO DECIDE.

10. FOLLOWING DISCUSSION ON ECONOMIC POLICIES AND

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PROSPECTS, MINISTERS MAY BE ASKED TO COMPLETE DIS-  
CUSSIONS AND TAKE ACTION RENEWING TRADE PLEDGE IF  
THAT HAS NOT BEEN DONE THE PREVIOUS DAY. THE LAST  
ITEM OF BUSINESS WILL BE DISCUSSION AND APPROVAL OF  
THE COMMUNIQUE WHICH WILL HAVE BEEN VETTED BY A  
COMMUNIQUE DRAFTING GROUP. DRAFT COMMUNIQUE IS BEING  
SUBMITTED TO THE MINISTERIAL MEETING BY THE SECRETARY  
GENERAL ON HIS OWN RESPONSIBILITY TAKING INTO ACCOUNT  
POINTS MADE IN DISCUSSION BY PERM REPS TO DATE  
(SEPTELS) WITH PORTIONS ON ECONOMIC POLICY MEANT TO  
REFLECT THE DISCUSSION AT EPC. OUR POINTS ON HOLDING  
A YOUTH EMPLOYMENT CONFERENCE AND ON ILLICIT PAYMENTS  
ARE INCLUDED.

11. IN THE INTEREST OF FACILITATING ORDERLY LAST  
MINUTE PREPARATIONS IN CAPITALS, PERM REPS DECIDED

NOT TO TAKE UP COMMUNIQUE ANY FURTHER. HOWEVER IT  
WOULD BE USEFUL FOR US TO HAVE FURTHER DETAILED  
WASHINGTON REACTION TO LATEST TEXTS OF COMMUNIQUE  
AND DECLARATION SO THAT MISSION COULD DO ADDITIONAL  
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SPADE-WORK WITH OTHER DELEGATIONS AND SECRETARIAT PRIOR  
TO ARRIVAL OF WASHINGTON DELEGATION.  
KATZ

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